



Hershey Foods Corporation
Summary Annual Report 1996

adding value





Hershey Foods Corporation is the leading North American manufacturer of quality chocolate, confectionery and chocolate-related grocery products; is the leading North American producer of branded, dry pasta products, and has a variety of international operations.

hershey

Hershey Chocolate North America

Major Products

The division produces and markets many favorite American brands. Principal brands include *Almond Joy* and *Mounds* candy bars, *Cadbury Creme Eggs* candy, *Hershey's Cookies 'n' Creme* candy bar, *Hershey's* milk chocolate and milk chocolate with almond bars, *Hershey's Nuggets* chocolates, *Hershey's Kisses* and *Hershey's Hugs* chocolates, *Kit Kat* wafer bar, *Reese's NutRageous* candy bar, *Reese's* peanut butter cups, *Sweet Escapes* candy bars, *TasteTations* candy, *Twizzlers* candy and *York* peppermint patties. Additional brands include *Jolly Rancher* candy, *JuicyFruits* candy, *Milk Duds* candy, *PayDay* peanut caramel bar, *Pot of Gold* boxed chocolates, *Whoppers* malted milk balls and *Wunderbeans* jellybeans. Key Canadian brands include *Brown Cow* and *Strawberry Cow* milk modifiers, *Chipsits* chocolate chips, *Eat-More* candy, *Glosette* candy, *Hershey* candy bars, *Oh Henry!* candy bars, *Pot of Gold* boxed chocolates, *Reese Peanut Butter Cups* candy and *Twizzlers* candy. In Mexico, chocolate products are produced and marketed under the *Hershey's* brand name. In addition, some of the division's products manufactured in the United States are sold in Mexico.

Market Position

In 1996, Hershey Chocolate North America was the leading confectionery company in North America. The division also continued to hold the leadership position in baking chips and sundae toppings in Canada, and held the number two position in the expanded chocolate bar market in that country as well as the number two position in the chocolate confectionery and flavored milk drink categories in Mexico.

Factors Affecting Growth

The December 1996 acquisition of Leaf North America carried the division to the North American leadership position in the non-chocolate confectionery category and enhanced its leadership position in the chocolate confectionery category. Successful new product introductions, line extensions of core brands, the inclusion of Henry Heide products, the excellent growth in the division's seasonal packaged candy business and the December 1995 price increase on the division's standard bar line in the United States all contributed to the strong growth in the corporation's largest division.

Hershey Pasta and Grocery Group

The division produces a broad array of dry pasta products under eight regional brands: *American Beauty*, *Ideal by San Giorgio*, *Light 'n Fluffy*, *P&R*, *Mrs. Weiss*, *Ronzoni*, *San Giorgio* and *Skinner*. Other grocery products include *Hershey's* and *Reese's* baking chips, *Hershey's* baking chocolate, *Hershey's* chocolate drink, *Hershey's* chocolate milk mix, *Hershey's Chocolate Shoppe* ice cream toppings, *Hershey's* cocoa, *Hershey's* syrup, *Hershey's Hot Cocoa Collection* hot cocoa mix and *Reese's* peanut butter.

The division continued to hold the number one share position in the U.S. branded dry pasta category. Its regional approach to marketing has been instrumental in maintaining this leadership position. The division also holds the leadership position in the chocolate syrup and unsweetened cocoa categories in the United States.

The U.S. pasta industry experienced a modest volume decline and continued higher durum wheat costs in 1996. The division participated in a successful trade case against illegally subsidized and dumped imported pasta. New chocolate-related grocery product introductions and the licensing of the corporation's trademarks to other grocery manufacturers contributed significantly to the division's growth.

Our mission is to be a focused food company in North America and selected international markets and a leader in every aspect of our business.

In North America, our goal is to enhance our number one position in confectionery and maintain our leadership position in pasta and chocolate-related grocery products.

y f o o d s

Hershey International

The division exports *Hershey's* branded confectionery and grocery products to over 60 countries worldwide. It markets traditional *Hershey's* chocolate and grocery products, as well as *Hershey's Extra Creamy* milk chocolate, designed specifically to meet the preferences of international consumers. *Hershey's* branded products also are available through licensing agreements with partners in South Korea, Japan, the Philippines and Taiwan.

In Japan, *Hershey's Kisses* milk chocolates are the division's major confectionery product. The division continues to have a strong brand franchise in South Korea, where it is the recognized leader in chocolate beverages. One of *Hershey's* strongest markets outside of North America is the Philippines, where the division competes favorably in the domestic retail market and duty-free business. *Hershey's* chocolate products have been introduced in Russia and China.

The division continues to focus its efforts in areas where it can achieve profitable growth and a reasonable return on investments. The Far East, Russia and China, as well as licensing and export programs worldwide, provide growth opportunities for the division.

FINANCIAL HIGHLIGHTS

	1996	1995	Percent Change
In thousands of dollars except per share amounts			
Net sales	\$3,989,308	\$3,690,667	+8
Income before loss on disposal of			
businesses and restructuring activities	308,538 ^(b)	279,947 ^(c)	+10
Net income	273,186	281,919	-3
Income per share: ^(a)			
Before loss on disposal of businesses			
and restructuring activities	2.00 ^(b)	1.69 ^(c)	+18
Net income	1.77	1.70	+4

^(a) All per share information has been restated for the two-for-one stock split effective September 13, 1996.

^(b) Income for 1996 included a loss on the disposal of the corporation's European businesses, Gubor and Speriari, of \$35.4 million or \$.23 per share. There was no tax benefit associated with the loss.

^(c) Income for 1995 included a pre-tax restructuring charge of \$16.6 million related to a voluntary retirement program offset by a \$16.7 million reversal of 1994 accrued restructuring reserves. On an after-tax basis, the combined impact of restructuring activities increased net income by \$2.0 million or \$.01 per share.

We began a process of change three years ago designed to enhance our stockholders' investment by improving efficiencies and accelerating profitable growth. We made very good progress in this effort during 1996 thanks to a concentrated focus on:

- what we know and do best;
- quality products;
- first-class service to our customers;
- reducing costs and improving efficiency in our operations; and,
- adding value to everything we do.

ADDING VALUE

In our quest to accelerate profitable growth, we are reviewing all of our existing operations to identify every opportunity to add value. We want to make sure that our people, resources and efforts are directed toward making our

current businesses more profitable and continuing to add value to our stockholders' investment.

Products, manufacturing lines and manufacturing facilities are an important part of this evaluation. Products and facilities that are not contributing appropriately come under close scrutiny, with the goal of improving these operations or diverting the resources to other opportunities.

Equally important to adding value is an organizational structure which can support profitable growth. We must have an organization focused directly on quality products, efficient operations, flexible responses to the needs of our customers, and seamlessness across the entire corporation. In addition, we must have employees with the right skills in positions that add value.

adding



Kenneth L. Wolfe
Chairman of the Board and
Chief Executive Officer



Joseph P. Viviano
President and
Chief Operating Officer

Combined, these efforts will generate increased value from our existing businesses and play a key role in maximizing return for our stockholders.

GROWTH OPPORTUNITIES

During 1996, we took a number of additional steps to add value to our business through new, profitable growth opportunities.

■ Our December 1996 acquisition of Leaf North America from Huhtamäki Oy of Finland enhances our overall position in the North American confectionery market, reinforces our commitment to growth in non-chocolate confectionery and positions us well in this more rapidly growing category.

Leaf's well-known chocolate and non-chocolate brands include *Good & Plenty* candy, *Heath* toffee bar, *Jolly Rancher* candy,

worked successfully to integrate the manufacturing, sales and distribution of these products into our existing operations. We expanded the sales of these brands during the year and improved their profitability.

Also contributing to our presence in the non-chocolate confectionery category was *Twizzlers* candy, which enjoyed another year of strong growth.

■ We introduced a number of successful, new products. *Hershey's Sweet Escapes* candy bars, our first line of reduced fat and calorie chocolate confectionery products, were shipped to customers in April 1996. *Sweet Escapes* has become our most successful new product introduction to date, and we expect to build further on the base we have established in this category.

first full-line entry into the boxed chocolate category in the United States. *Pot of Gold*, the leading boxed chocolate in Canada, is targeted to Christmas and Valentine's Day, the two principal holidays for boxed chocolate sales.

Hershey's Cookies 'n' Creme candy bar, a blend of crunchy chocolate cookie bits in white chocolate, was introduced in late 1995 and supplied incremental growth during 1996. Unlike many other new products in the confectionery industry, *Cookies 'n' Creme* did not experience softness in sales as introductory marketing support was curtailed. Instead, it continued its solid growth throughout the year.

Hershey's Nuggets chocolates—in milk chocolate, milk chocolate with almonds, *Cookies 'n' Creme* and *Cookies 'n' Mint* brands—have created

value for our stockholders

Milk Duds chocolate-covered caramels, *PayDay* peanut caramel bar and *Whoppers* malted milk balls. Gum brands include *Super Bubble* and *Rain-Blo*.

Moving forward, we expect to expand the sales of these products through integration into our sales and distribution systems and improve margins through lower overhead and improved cost-effectiveness of these operations. This is indeed a wonderful opportunity for us to profitably grow this business.

The purchase of Leaf North America follows the acquisition of the smaller Henry Heide, Inc. in December 1995. Heide products include such non-chocolate confectionery items as *Juicyfruits* candy, *Wunderbeans* jellybeans and *Heide* jujubes. Throughout 1996, we

The acquisition of Leaf North America enhances our overall position in the North American confectionery market, reinforces our commitment to growth in non-chocolate confectionery and positions us well in this more rapidly growing category.

Hershey's TasteTations, our first line of hard candies, were introduced in June 1996. Internally developed, the response to *TasteTations* has dramatically exceeded our expectations. We fully expect this new brand to be a mainstay in our non-chocolate confectionery business in the future.

We introduced *Hershey's Pot of Gold* boxed chocolates in August 1996, our

significant incremental growth for the core brands they represent. This product line is just one example of Hershey's ability to recognize and meet the consumer's desire for a quality, portion-controlled chocolate in a unique shape.

■ In December 1995, we reluctantly increased the wholesale price of our standard candy bar and king size bar line in the United States by 11% (approximately a 4% price increase for our entire U.S. confectionery business). This was the first price increase in this line in almost five years. Although the predictable volume reductions associated with such a price increase did occur, they were more

than offset by significant growth in our seasonal candy business, new product introductions, and strong, customer-oriented programs tied to successful consumer marketing promotions.

■ We have invested in areas which will generate future revenue and further support profitable growth. In August 1996 we initiated two new chocolate and confectionery capital projects—one for the expansion of our Stuarts Draft, Va., facility and the other for new production equipment at our Naugatuck, Conn., facility. In addition, we increased production capacity both for core and new products and continued to modernize existing plants.

■ We continue to evaluate our international business and focus our efforts in areas where we can achieve profitable growth and a reasonable return on our investment. Concurrent with the Leaf acquisition, Huhtamäki Oy acquired our European confectionery companies, German praline manufacturer Gubor Schokoladen and the Italian confectionery company Sperlari Srl. Our businesses in Russia and China are proceeding according to plan, and we continue to press forward with the development of these markets. Licensing programs with our partners throughout the Far East continue to perform well.

■ We made a number of organizational changes designed to support our goal of profitable growth. As appropriate, we are moving to develop corporation-wide

shared service functions throughout Hershey Foods. We believe this organizational structure will facilitate improved customer service at a lower cost in all our businesses.

We also integrated our Hershey Pasta and Hershey Grocery businesses into one business unit—Hershey Pasta and Grocery Group—to realize improved efficiencies, cash flows and returns.

■ We have made a major commitment to upgrade our information systems, enhancing our ability to more efficiently and profitably service our customers and consumers.

■ The corporation's excellent performance in 1996 added significant value for stockholders through the increase in the price of its Common Stock. These results could not have been achieved without the commitment and dedicated performance of our employees. Accordingly, effective December 3, 1996, our Board of Directors approved a one-time stock option program for eligible employees. Under this program, each eligible employee will be awarded a grant of options to purchase 100 shares of our stock in accordance with provisions of the program. We believe that by working together as owners with a focused goal of improved performance, both our employees and the corporation will benefit through the creation of increased stockholder value.

AN OUTSTANDING YEAR

These efforts, along with many others, contributed to our excellent financial results in 1996. The corporation achieved record sales and earnings from operations while continuing to position itself for future growth.

Sales reached \$3,989,308,000, up 8% as a result of confectionery volume growth including new product introductions, effective pricing and the Heide acquisition, offset somewhat by the divestiture of the *Planters* nut and *Life Savers* hard roll candy businesses in Canada and the OZF Jamin business in Europe.

Net income from operations was \$308,538,000, up 10% excluding the fourth quarter charge of \$35,352,000 for the disposal of our European businesses and the 1995 restructuring activities. There was no tax benefit associated with the loss.

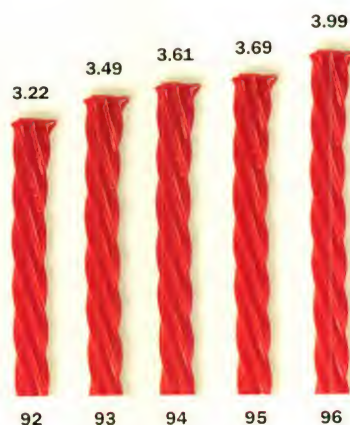
Earnings per share of \$1.77 were up 4%. Excluding the impact of the loss on the disposal of businesses in 1996 and restructuring activities in 1995, earnings per share from operations were \$2.00, up 18% as a result of the strong business performance and a lower number of shares outstanding.

Our stock price increased 35%, well ahead of the S&P 500 which grew at 20% and the S&P Food Group which grew at 16%.

Higher earnings, strong free cash flow and improved return on investment

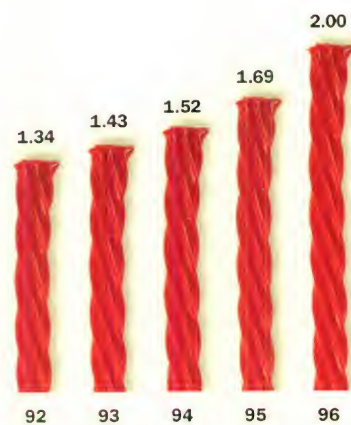
NET SALES

DOLLARS IN BILLIONS



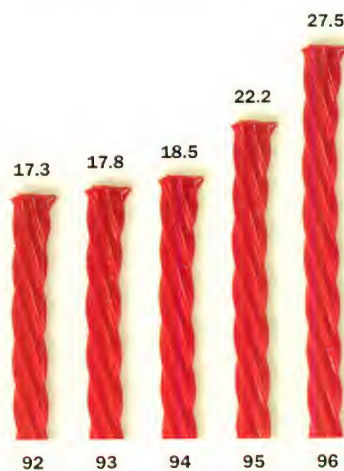
EARNINGS PER SHARE*

DOLLARS
EXCLUDING UNUSUAL ITEMS



RETURN ON AVERAGE EQUITY

PERCENT
EXCLUDING UNUSUAL ITEMS



*RESTATED FOR 1996 TWO-FOR-ONE STOCK SPLIT

The corporation's excellent performance in 1996 added significant value for stockholders through the increase in the price of its Common Stock. These results could not have been achieved without the commitment and dedicated performance of our employees.

were further amplified by our stock repurchase programs which additionally enhanced stockholder returns.

In September 1996, the dividend paid on the Common Stock was increased by 11%. This was the 22nd annual increase in the Common Stock dividend. At the same time, the corporation's stock was split two-for-one, placing the stock in a more popular price range and enhancing its trading liquidity.

■ Our Quality Through Excellence (QTE) initiative drove many activities throughout the corporation in 1996. We cannot overemphasize the critical role our employees play in our quality enhancement, cost control and productivity improvement efforts. Their contributions support the corporation's success, allowing us to offer our customers and consumers quality products at a reasonable price with first-class services.

MANAGEMENT AND DIRECTOR CHANGES

C. Mickey Skinner, President, Hershey Pasta and Grocery Group, will retire December 31, 1997. On March 1, 1997, Jay F. Carr, President, Hershey International, assumed responsibility as President, Hershey Pasta and Grocery Group. Mr. Skinner will continue as Vice Chair, Hershey Pasta and Grocery Group, providing advice and counsel to the corporation throughout 1997, as well as playing an active role in pasta industry affairs.

Effective January 1, 1997, Raymond Brace, formerly Vice President, Manufacturing, Hershey Chocolate North America, became Vice President, Operations. This new, corporation-wide shared service function includes logistics, procurement, engineering and information technology integration.

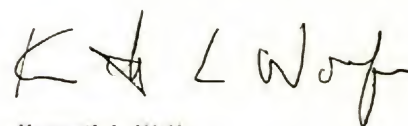
Effective April 30, 1996, three members of the corporation's board of directors retired. Francine I. Neff, Vice President and Director, NETS Inc., a privately-held investment corporation, served on Hershey's board for 18 years. Sybil C. Mobley, Ph.D., Dean, School of Business and Industry, Florida A&M University, served on Hershey's board for 13 years. Howard O. Beaver, Jr., former Chairman and Chief Executive Officer, Carpenter Technology Corporation, served on our board for 12 years. Hershey benefited greatly from their vast experience and solid advice, and we thank them for their contributions and service to the corporation.

Also effective April 30, 1996, two new directors were elected to Hershey's board: C. McCollister Evarts, M.D., Chief Executive Officer of The Milton S. Hershey Medical Center, Senior Vice President for Health Affairs and Dean of the College of Medicine, The Pennsylvania State University; and Mackey J. McDonald, President and Chief Executive Officer, VF Corporation. We welcome the wealth of knowledge and experience they bring to the corporation.

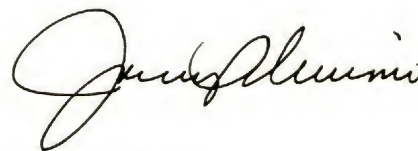
LOOKING AHEAD

There still is much to do as we continue our efforts to improve efficiencies and accelerate profitable growth. On the following pages you will find just a few examples of how we are adding value — through our people and products and for our customers and consumers.

These success stories represent only a small part of the total effort throughout Hershey Foods, but will give you a flavor for our efforts as we build a more dynamic, profitable organization and enhance our stockholders' value.



Kenneth L. Wolfe
Chairman of the Board and
Chief Executive Officer



Joseph P. Viviano
President and
Chief Operating Officer



COMMITMENT TO QUALITY

Employees at the Peter Paul Naugatuck, Conn., Plant were concerned that the right number of almonds were not always added to *Almond Joy* candy bars. They knew they could make a difference. A team of production employees, production mechanics and technicians developed a system to overcome the "missing almonds" problem. Teamwork, open communication and sharing of ideas enabled them to improve an already great product. As a result, consumer complaints regarding missing almonds decreased significantly during 1996. ■ Team members said, "We want our products to succeed. We put a lot of hard work and effort into making a quality product, and we take pride in the *Peter Paul* name. If you give consumers good tasting, quality products, they'll come back and buy them again. That's good sense and why all employees at Peter Paul care."

■ Faust Janeiro, Fred Dietzel, Bill Johnson



SWEET ESCAPES

How do you take the glimmer of a confectionery idea and turn it into the most successful new product launch in the corporation's history? Hershey's research and development teams, charged with the development of what ultimately became *Hershey's Sweet Escapes* products, know that it takes equal portions of cooperation and inspiration. ■ Due to overwhelmingly positive feedback from consumer test groups, planners found themselves launching three products at the same time under the *Sweet Escapes* umbrella. They faced rapidly approaching deadlines, new and unfamiliar issues such as the need for new processing technologies, and limited time for plant start-up. ■ Through it all, a "can-do" spirit united the teams...and in the end, *Sweet Escapes* scored big-time. "Some said it couldn't be done," remembers Cheryl Doherty. "We said, just give us the chance."

■ Cheryl Doherty, Bob Larson, Todd Johnson, Sue Zaccano

CONSUMER RELATIONS



Over 388,000 consumers contacted Hershey Foods in 1996, approximately 80% via Hershey's toll-free 800 number. Every consumer contact is treated as an opportunity to reinforce positive feelings about the corporation and its brands by providing information or resolving problems. ■ "Consumer Relations is the front line of the company for the public. We have a big impact on whether a consumer will buy our product again," relates Suzanne Doney, Senior Consumer Representative. "It's our job to assure the consumer that quality is the hallmark of all we do. We also add value by providing consumer feedback to a number of departments in the corporation in a timely manner, helping to ensure our products meet consumer expectations for quality."

QUALITY THROUGH EXCELLENCE

The Volume Leveraged Purchasing (VLP) project is an excellent example of Quality Through Excellence at Hershey Foods. By capitalizing on our buying strength and implementing a systematic, corporate-wide purchasing process, the VLP Team's efforts saved the company over \$5 million in 1996. ■ Individual purchasing agents across North America bought supplies and services from numerous vendors prior to the team's formation. By centralizing the purchasing process, the corporation has realized not only dollar savings, but also has greatly improved the processes and practices used in both the plants and offices. ■ *Scott Copenhaver, Cora Lynn Gingrich, Jan Patrick, Don Larson*



HERSHEY PASTA LOUISVILLE PLANT

Hearing-impaired employees have been part of the work force at the Hershey Pasta Louisville, Ky., Plant since the 1950s. Thanks to the initiative of these workers, their current job opportunities cover all production jobs in the plant. ■ Sign language is used by most Louisville plant employees. This valuable communication tool is important both to the 10% of employees who are hearing-impaired and to other workers who often work in noisy production areas. All employees have an opportunity to learn sign language through voluntary, on-site training classes. ■ In recognition of these efforts, Mike Hoar, Quality Assurance Manager at Louisville, serves on The President's Council on Employment of People with Disabilities.

■ *Jerry Huffman, Mary McCoy*

le



OUR EMPLOYEES' DEDICATION TO THE CORPORATION'S QUALITY ENHANCEMENT, COST CONTROL AND PRODUCTIVITY IMPROVEMENT EFFORTS HAS BEEN A KEY FACTOR IN OUR SUCCESS. THEIR COMMITMENT TO EXCELLENCE ENABLES US TO CONTINUE TO PROVIDE FIRST-CLASS SERVICE TO OUR CUSTOMERS AND QUALITY PRODUCTS AT REASONABLE PRICES TO OUR CONSUMERS.

TEAMWORK

The goal of Hershey's Cocoa Coordination Team is to supply Hershey's chocolate-producing plants with quality cocoa beans, cocoa butter and cocoa powder on time and as needed with no disruption in production—a far from easy task. "Things change so quickly at times," says Scott Buesking, Manager, Inbound Distribution. "We have to be very flexible to meet the plants' fluctuating production schedules." ■ All team members are knowledgeable and highly experienced Hershey employees who take pride in their jobs. In fact, most team decisions are implemented immediately. This has resulted in a substantial reduction in cycle times and millions of dollars in cost savings since the team's formation in the mid-1980s. ■ "In this group," says Gene Nicoletti, Cocoa Operations Manager, "everyone knows only one real agenda...the overall well-being of our company." ■ *Donald Benevento, Donald Snyder, Craig Troutman* unloading cocoa beans at the Hershey, Pa., Plant.





TASTETATIONS

Customer and consumer response to *Hershey's TasteTations*, the corporation's first domestic hard candy, has been excellent. Introduced in June 1996 in four flavors—chocolate, caramel, butterscotch and peppermint—*Hershey's TasteTations* have added excitement to the non-chocolate confectionery category in the United States.

prod

LEAF NORTH AMERICA

The acquisition of Leaf North America enhances Hershey's overall position in the North American confectionery market and provides an excellent opportunity to grow Hershey's non-chocolate confectionery business. Hershey will manufacture, market and distribute Leaf's North American confectionery brands including *Good & Plenty* candy, *Heath* toffee bar, *Jolly Rancher* candy, *Milk Duds* chocolate-covered caramels, *PayDay* peanut caramel bar and *Whoppers* malted milk balls. Gum brands include *Super Bubble* and *Rain-Blo*.



HENRY HEIDE, INC.

Henry Heide, Inc. has a variety of non-chocolate confectionery brands including *Juicyfruits* candy, *Wunderbeans* jellybeans and *Heide* jujubes. The December 1995 acquisition also provides the manufacturing capacity for Hershey Chocolate U.S.A. to introduce *Hershey's* assorted fruit flavored jellybeans for the 1997 Easter season.



HERSHEY'S SYRUP

Hershey's chocolate syrup has been a mainstay in American kitchens for over 70 years. Who can forget enjoying a tall, cold glass of chocolate milk or a delicious ice cream sundae made with *Hershey's* syrup? And, Americans now realize that *Hershey's* syrup is, and always has been, a fat-free food.

ucts

THANKS TO QUALITY PRODUCTS AND EXCELLENT VALUE, THE CORPORATION HAS BEEN A LEADER IN THE U.S. CHOCOLATE CONFECTIONERY CATEGORY FOR MORE THAN A CENTURY. WITH THE DECEMBER 1996 ACQUISITION OF LEAF NORTH AMERICA, HERSHEY BECAME THE LEADER IN THE NON-CHOCOLATE CONFECTIONERY CATEGORY IN THE UNITED STATES AS WELL. HERSHEY ALSO LEADS IN NEW CONFECTIONERY PRODUCTS AND CONTINUES TO SUPPORT AND GROW ITS HIGHLY PROFITABLE CORE BRANDS THROUGH INNOVATIVE SALES, MARKETING AND MERCHANDISING STRATEGIES, ALONG WITH TARGETED CONSUMER ADVERTISING.

POT OF GOLD

Hershey's Pot of Gold boxed chocolates, Canada's number one boxed chocolate and a Canadian tradition since 1928, now has the opportunity to become America's favorite boxed chocolate! ■ In November 1996, *Pot of Gold* was introduced nationally as *Hershey's* first full-line domestic brand of premium chocolate candy packaged in a gift box. It is the first nationally branded and distributed boxed chocolate assortment developed specifically for American consumers. ■ Americans wanted more nuts and caramels in their boxed chocolates, and *Pot of Gold* obliged. The collection includes such consumer favorites as hazelnuts, almonds, cashews, pecans, toasted coconut, caramels and assorted truffles, all covered with *Hershey's* milk or dark chocolate.





RUSSIAN AND CHINESE SALES OFFICES

Hershey International continues to focus its long-term efforts in such areas as Russia and China where it can achieve profitable growth. A variety of *Hershey's* confectionery and chocolate products are being marketed in Russia, where we believe our quality products and customer focus are serving us well. While China's total confectionery sales and per capita consumption are small in comparison to the United States, the quality of our products and our emphasis on heritage are helping to build *Hershey's* brand awareness in this market.

■ Lee Wen, Shanghai Lian Hua Supermarket Commercial Co., meeting with Roger Luo and Rebecca Sun.

BEST OF CATEGORY AWARD

Hershey Chocolate North America has received numerous awards from suppliers, retailers, trade associations and trade publications for its outstanding efforts on behalf of its customers. In 1996, Hershey was named an "exemplary category management trading partner" for candy in *Supermarket Business* magazine's industry survey.



CUSTOMER SERVICE

Tammy Kerkeslager, Associate National Accounts Representative, doesn't mince words when she talks about customer satisfaction. "Large or small, the customer is our number one priority. We have to meet their needs. Without our customers, we don't have a company." ■ Tammy's customer service team and others like it dedicate themselves to servicing customers in specific geographic regions. Routinely she'll call upon the division's critical resources team which works closely with the Sales Department to make positive things happen...such as reducing the time it takes to process orders. "The customers really like it. They feel we understand their needs," says Tammy. ■ Mary Delaney, Vern Schriver, Jr., Tammy Kerkeslager, Lisa Schirato

cust



WESTERN DISTRIBUTION CENTER

Pete Echavarria's biggest challenge as Transportation Coordinator is meeting the customer's requested delivery date on time while balancing a carrier's busy schedule. His transportation department is known for its quick-response deliveries—shipping product on time to customers who give short notice. Timely product delivery helps both the customer and supplier reduce inventory costs and ensures product freshness for consumers. ■ Pete credits teamwork for these accomplishments. In fact, the department has met its quality improvement goals for on-time shipping in each of the past five years. "We're constantly striving to meet a higher level of customer satisfaction," says Pete. "You need the whole team to make it happen."



HERSHEY'S ABILITY TO UNDERSTAND THE NEEDS OF ITS CUSTOMERS AND RESPOND QUICKLY WITH SERVICES AND PRODUCTS SPECIFICALLY TAILORED TO THESE NEEDS IS A KEY STRENGTH OF THE CORPORATION. A FOCUSED TEAM APPROACH HAS ADDED VALUE IN ALL ASPECTS OF OUR CUSTOMER/SUPPLIER NETWORK, AND CUSTOMER SATISFACTION LEVELS ARE HIGHER THAN EVER BEFORE. AS OUR CUSTOMERS GROW PROFITABLY, HERSHEY'S BUSINESS GROWS AS WELL, AND CONSUMERS REALIZE THE BENEFITS WHEN THEY PURCHASE AND ENJOY HERSHEY'S QUALITY PRODUCTS.



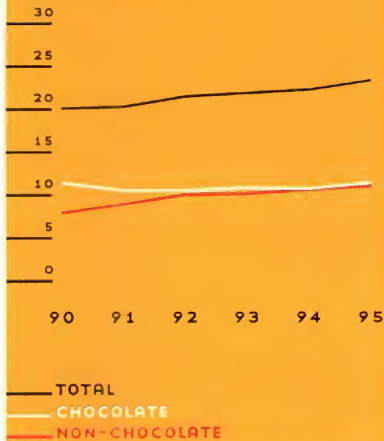
CATEGORY MANAGEMENT

It's not enough just to be an order-taker. All Hershey customers are unique, and responding to their individual needs ensures success for the customer...and Hershey. ■ "Being a more meaningful, consistently linked partner with the retailer—that's the name of the game," observes Mark Lavelle, Category Management Development Manager. The category management team works closely with customers, starting with a dialogue that identifies the customer's own merchandising preferences. After careful monitoring and evaluation of numerous product sales patterns, the team suggests ways for the customer to more effectively merchandise all confectionery, grocery and/or pasta products—not just Hershey's branded items. ■ This new, streamlined relationship created by category management efforts, along with factors such as new product introductions, advertising, and trade and consumer promotions, contributed to Hershey Chocolate U.S.A.'s sales increases in the major trade channels. These increases exceeded the confectionery category growth rate of approximately 6% at retail in 1996.

■ Mark Lavelle, Stacey Miller, Jeff Stachelek

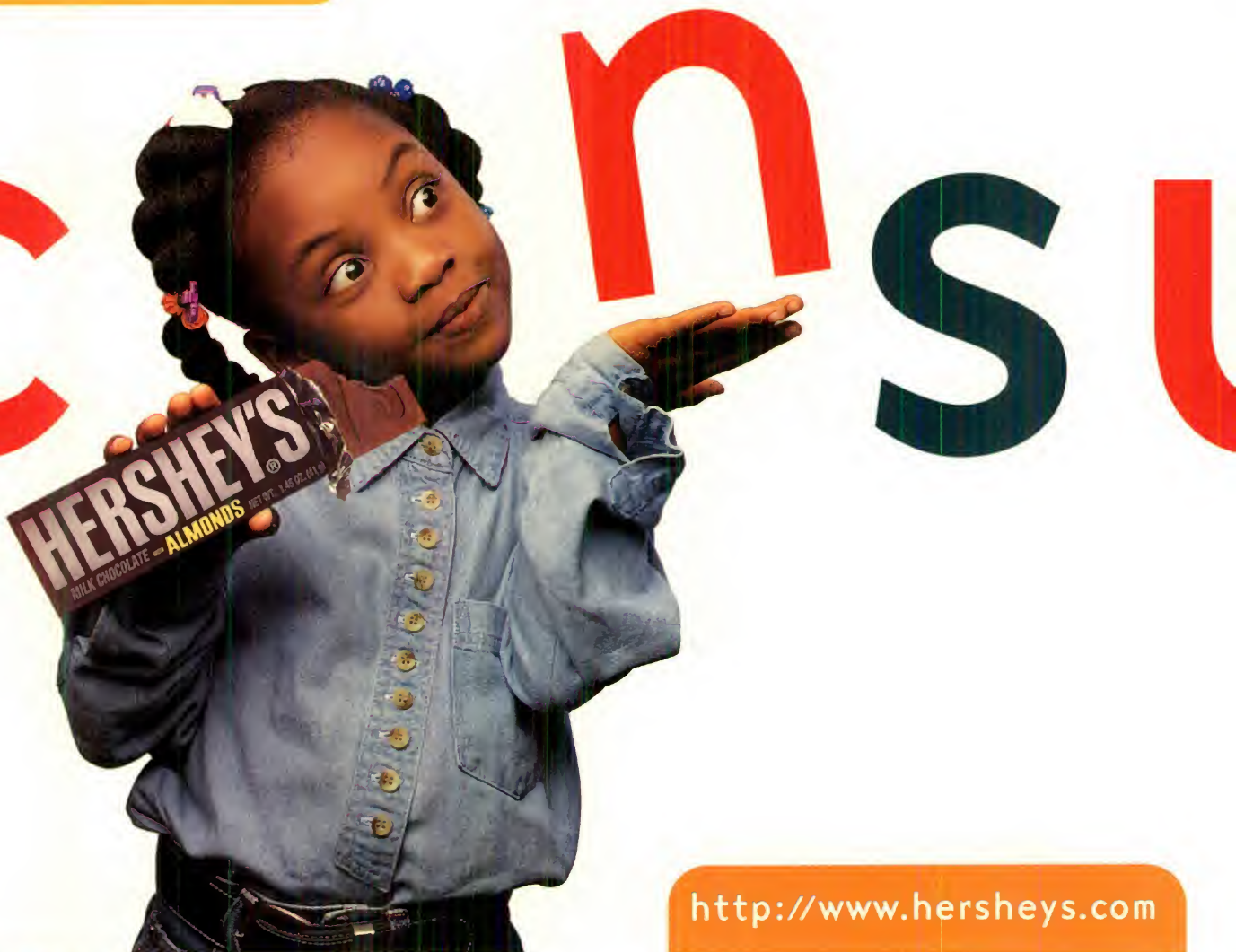
PER CAPITA CONFECTIONERY CONSUMPTION IN THE UNITED STATES

IN POUNDS
EXCLUDES CHEWING GUM
AND BUBBLE GUM



MARKETING RESEARCH

Successful companies get to market quickly with new products or programs that meet consumers' needs. The first step is to identify these needs...the job of Marketing Research. Listening to our consumers is key since the information gathered helps Hershey make better decisions about the products it intends to market. ■ Many questions are asked. What is the target market? What makes consumers tick? Will they buy this new product? How can it be improved? Does it have the right mix of ingredients? Will the packaging attract buyers to the shelf? Does our advertising communicate the right message? ■ Answers to these questions can dramatically increase the odds of success when a new product is introduced. ■ *Muriel Eby, pictured at Hershey's Chocolate World visitors center.*



<http://www.hersheys.com>

INTERNET SITE

Hershey Foods first established an Internet presence in early 1995. The goal was to provide a fun and informational web site where consumers of all ages could satisfy their desire to learn more about Hershey's special place in the world of chocolate. ■ Today, Hershey's Internet site provides consumers with round-the-clock access to information about the company, its history and products. Consumers, for example, can search an on-line archive of over 200 recipes, as well as find answers to their nutrition and baking questions. Kids can take an electronic tour through the world's largest chocolate factory, learning about the ingredients, people and geography involved in chocolate making. It's all there (and more!), available at the click of a mouse.

CONSUMER VALUE

Over a century ago, Milton Hershey set out to make a quality chocolate product at an affordable price. Today's consumers continue to look to Hershey for products that provide both quality and value. ■ The cost per ounce of a standard Hershey's milk chocolate bar has increased less than the cost of food products in general over the past 20 years. In fact, for most consumers, it takes fewer minutes of work today to earn the price of a chocolate bar than it did at any time since the bar was introduced in 1900.



ummers

MEETING CONSUMERS' NEEDS IS CRITICAL TO HERSHEY'S SUCCESS. WE REALIZE WE CAN'T SELL PRODUCTS THE CONSUMER DOESN'T WANT. KNOWING WHAT CONSUMERS LIKE AND DISLIKE ABOUT OUR PRODUCTS HELPS GUIDE OUR DECISIONS AND MAXIMIZE OUR RETURNS. OUR ABILITY TO UNDERSTAND OUR CONSUMERS HAS HELPED US GAIN MILLIONS OF LOYAL CONSUMERS SINCE MILTON HERSHEY FOUNDED THE CORPORATION IN 1894.

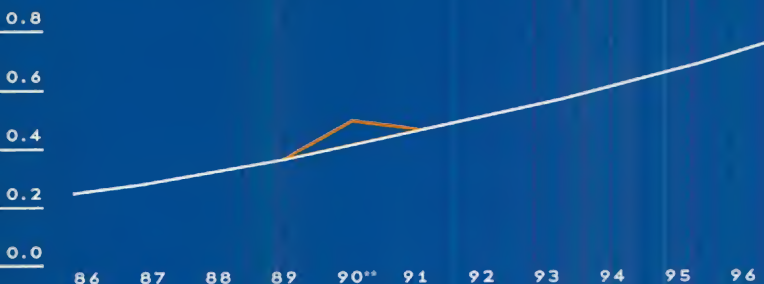
DEAR SIR,
I WOULD LIKE TO MAKE A COMMENT ON YOUR
VERY FINEST HIGH QUALITY HERSHEY'S MILK
CHOCOLATE ESPECIALLY NOW DAYS WHEN
MOST OF THE MURDERED PUBLIC SEEM TO
TAKE A LOT OF THINGS FOR GRANTED.
WE AT OUR HOME LOVE CHOCOLATE VERY
MUCH & HAVE PURCHASED OTHERS, BUT TO
OUR OWN PERSONAL OPINION, FOR THE FINEST
TASTING & HIGH QUALITY INGREDIENT WE
CHOOSE THE BEST ON THE MARKET TODAY.
WE MOST TRULY CHOOSE THE MILK CHOCO-
LATE IN THE COUNTRY, NOW OTHER
THAN HERSHEY'S MILK CHOCOLATE.
I MYSELF HAVE BEEN A AVID BUYER
OF HERSHEY'S FOR A NUMBER OF YEARS
AT AN 8 YEARS OLD, THERE JUST IS NOT
ANOTHER CANDY BAR THAT CAN EVEN
COME CLOSE TO HERSHEY'S
- OVER PLEASE -

THANKS, HERSHEY!

Hershey Foods receives nearly 7,500 consumer phone calls and letters a week. A large number of these contacts are from consumers like Carl Knob, who wrote to thank Hershey for "the very finest, high quality Hershey's milk chocolate." ■ Carl also praised Hershey's "dedicated...work force" that has played its part in the manufacturing, handling and transportation of this famous product.

DIVIDENDS PAID PER COMMON SHARE*

DOLLARS



*ADJUSTED TO REFLECT THE 9/13/96 TWO-FOR-ONE STOCK SPLIT AND THE 9/15/86 THREE-FOR-ONE STOCK SPLIT.

**SPECIAL DIVIDEND OF \$.075 PER SHARE PAID ON 9/14/90.

— DIVIDEND
— SPECIAL DIVIDEND

COMMON STOCK REPURCHASES

IN MILLIONS

YEAR	SHARES	DOLLARS	YEAR-END SHARES OUTSTANDING
1990			180.4
1991			180.4
1992			180.4
1993	5.15	131.8	175.2
1994	1.76	39.7	173.5
1995*	19.05	526.1	154.5
1996	1.58	66.1	152.9
TOTAL	27.54	763.7	

*INCLUDED IN 1995 IS AN AUGUST 4, 1995, PRIVATELY NEGOTIATED TRANSACTION WITH THE MILTON HERSHEY TRUST FOR 18.1 MILLION SHARES AT A COST OF \$500 MILLION.

ALL SHARES HAVE BEEN RESTATED TO REFLECT THE TWO-FOR-ONE SPLIT EFFECTIVE 9/13/96.

st

COMMON STOCK TOTAL RETURN*

DOLLARS IN THOUSANDS



*ALL DIVIDENDS REINVESTED; NO ADDITIONAL CASH INVESTED; STOCK HELD THROUGHOUT TIMEFRAME.

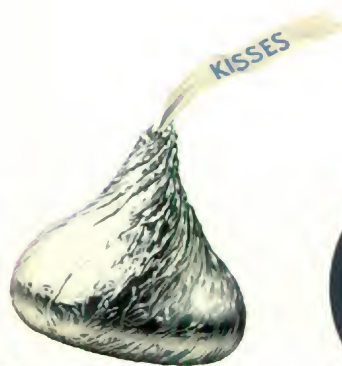
An investor who bought 100 shares of Hershey Foods Common Stock at the end of 1985 for \$3,862.50 and reinvested dividends would have seen the investment increase almost tenfold to \$33,618.26, a 24.2% compound annual growth rate.

JOSIE DOVE

Can one's performance on the job be enhanced through ownership of the company? Josie Dove, an employee at the H.B. Reese Plant in Hershey, Pa., thinks so. ■ "I enjoy coming to work every day," says Josie, "and being an employee-stockholder makes me want to do a better job every day, both in terms of quality and performance. It also helps to make a future for the younger people in this company." ■ In fact, Josie has been coming to work at the Reese plant for 39 years. She appreciates the increased automation in the plant, a major change that has made her life easier as a cup depositor attendant on the Reese's peanut butter cup line.

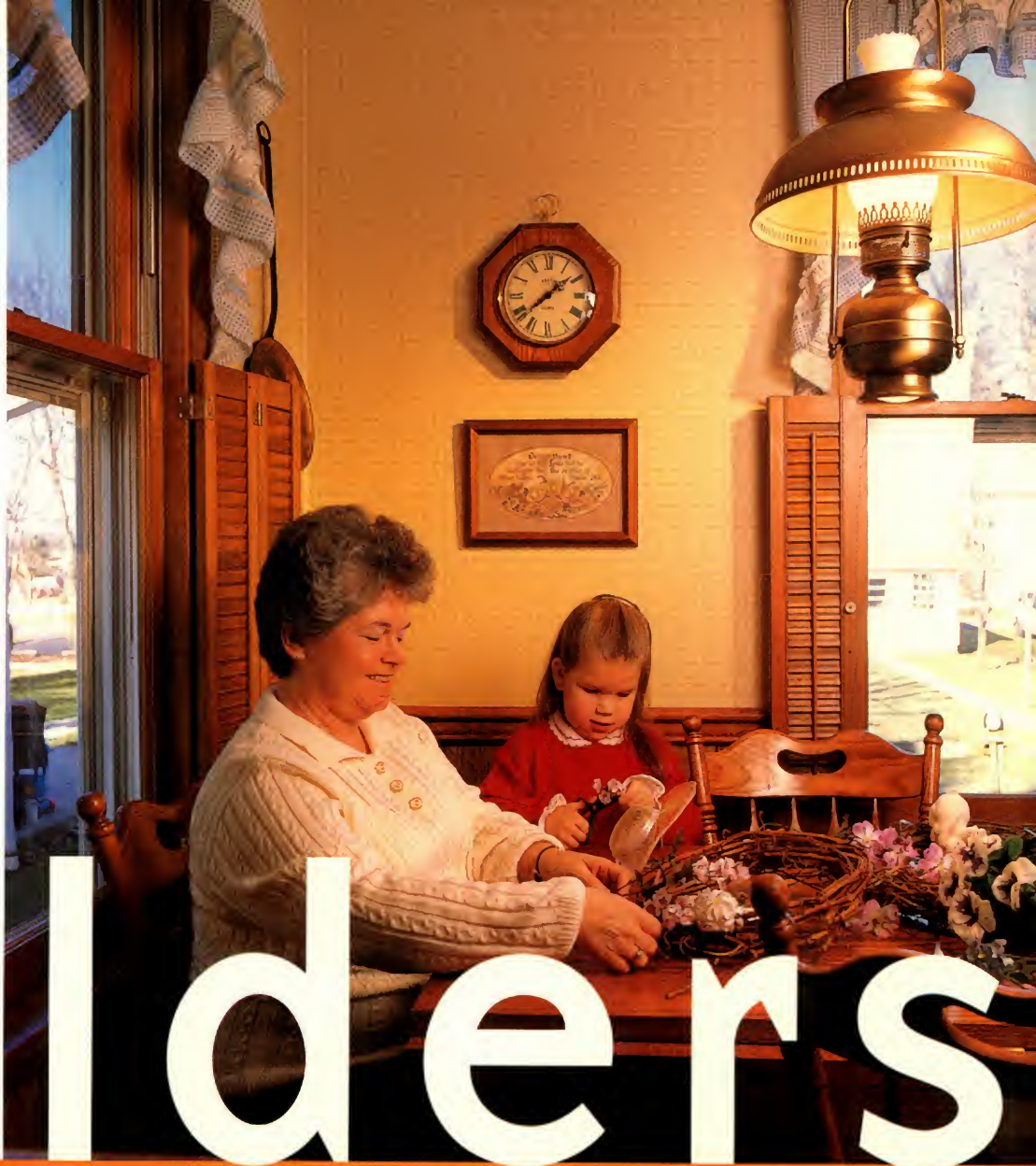
FRED HABIG

Having worked for Hershey for 39 years, Fred has experienced first-hand the corporation's trend toward increasing levels of employee empowerment. ■ Fred, a supervisor at the Hershey, Pa., Plant, has strong ties to Hershey through his grandparents and parents who sold milk to the corporation years ago. ■ When Hershey's investment program was offered to employees in 1978, he seized the opportunity. "Owning part of this company makes me feel good," he says. "It makes me feel that I matter to Hershey, and that in turn makes me feel that Hershey matters to me."



ck





holders

HERSHEY'S FOCUS ON WHAT WE KNOW AND DO BEST—QUALITY PRODUCTS, FIRST-CLASS SERVICE TO OUR CUSTOMERS, EFFICIENT OPERATIONS, AND ADDING VALUE TO EVERYTHING WE DO—HAS ENABLED THE CORPORATION TO INCREASE VALUE FOR ITS STOCKHOLDERS. IN 1996 THE CORPORATION ACHIEVED SUBSTANTIAL INCREASES IN SALES AND EARNINGS, HIGHER RETURNS AND STRONG FREE CASH FLOW. HERSHEY'S COMMON STOCK PRICE INCREASED 35% DURING THE YEAR, WHICH COMPARED FAVORABLY TO INCREASES IN THE S&P 500 AND S&P FOOD GROUP FOR THE YEAR.

MICHAEL MAUBOUSSIN

"Hershey has always been an outstanding company, a market leader, and it's been a good stock over a long period of time," says Michael Mauboussin, Vice President, Equity Research, Credit Suisse First Boston Corporation, an investment research firm. "But the new management team has moved the company in an even more exciting direction in the last 12 to 24 months as some of the economic profit principles have come to the forefront. What gets us very excited is that over the next three to five years, if these principles are executed as we think they can be, Hershey could catapult into the forefront of the food industry in terms of returns. And that should have very good implications for the stock price as well."



ANNE SELKOVITS

"Hershey represents the ideal type of holding for Gray, Seifert," according to Anne Selkovits, Vice President, Gray, Seifert & Co., Inc., an investment management firm. "The corporation takes a commodity product and turns it into one power brand after another. At the same time, management is focused on improving financial returns across the board. This has resulted in a compound annual growth rate that keeps Hershey in the top tier of its peer group, and has led to steady appreciation in its stock price. For long-term investors, it doesn't get any better than this."

CONSOLIDATED STATEMENTS OF INCOME

In thousands of dollars
except per share amounts

For the years ended December 31,	1996	1995	1994
NET SALES	\$3,989,308	\$3,690,667	\$3,606,271
COSTS AND EXPENSES:			
Cost of sales	2,302,089	2,126,274	2,097,556
Selling, marketing and administrative	1,124,087	1,053,758	1,034,115
Total costs and expenses	3,426,176	3,180,032	3,131,671
RESTRUCTURING CREDIT (CHARGE)	—	151	(106,105)
LOSS ON DISPOSAL OF BUSINESSES	(35,352)	—	—
INCOME BEFORE INTEREST AND INCOME TAXES	527,780	510,786	368,495
Interest expense, net	48,043	44,833	35,357
INCOME BEFORE INCOME TAXES	479,737	465,953	333,138
Provision for income taxes	206,551	184,034	148,919
NET INCOME	\$ 273,186	\$ 281,919	\$ 184,219
NET INCOME PER SHARE	\$ 1.77	\$ 1.70	\$ 1.06
CASH DIVIDENDS PAID PER SHARE:			
Common Stock	\$.7600	\$.6850	\$.6250
Class B Common Stock	.6850	.6200	.5675

The Consolidated Financial Statements and Management's Discussion and Analysis are included as an appendix to the corporation's Proxy Statement or can be obtained separately through the Investor Relations contact listed on page 20.

CONSOLIDATED BALANCE SHEETS

In thousands of dollars

December 31,	1996	1995
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 61,422	\$ 32,346
Accounts receivable — trade	294,606	326,024
Inventories	474,978	397,570
Deferred income taxes	94,464	84,785
Prepaid expenses and other	60,759	81,598
Total current assets	986,229	922,323
PROPERTY, PLANT AND EQUIPMENT, NET	1,601,895	1,436,009
INTANGIBLES RESULTING FROM BUSINESS ACQUISITIONS	565,962	428,714
OTHER ASSETS	30,710	43,577
Total assets	<u>\$3,184,796</u>	<u>\$2,830,623</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 134,213	\$ 127,067
Accrued liabilities	357,828	308,123
Accrued income taxes	10,254	15,514
Short-term debt	299,469	413,268
Current portion of long-term debt	15,510	383
Total current liabilities	817,274	864,355
LONG-TERM DEBT	655,289	357,034
OTHER LONG-TERM LIABILITIES	327,209	333,814
DEFERRED INCOME TAXES	224,003	192,461
Total liabilities	<u>2,023,775</u>	<u>1,747,664</u>
STOCKHOLDERS' EQUITY:		
Preferred Stock, shares issued: none in 1996 and 1995	—	—
Common Stock, shares issued: 149,471,964 in 1996 and 74,733,982 on a pre-split basis in 1995	149,472	74,734
Class B Common Stock, shares issued: 30,478,908 in 1996 and 15,241,454 on a pre-split basis in 1995	30,478	15,241
Additional paid-in capital	42,432	47,732
Cumulative foreign currency translation adjustments	(32,875)	(29,240)
Unearned ESOP compensation	(31,935)	(35,128)
Retained earnings	1,763,144	1,694,696
Treasury — Common Stock shares, at cost: 27,009,316 in 1996 and 12,709,553 on a pre-split basis in 1995	(759,695)	(685,076)
Total stockholders' equity	<u>1,161,021</u>	<u>1,082,959</u>
Total liabilities and stockholders' equity	<u>\$3,184,796</u>	<u>\$2,830,623</u>

The Consolidated Financial Statements and Management's Discussion and Analysis are included as an appendix to the corporation's Proxy Statement or can be obtained separately through the Investor Relations contact listed on page 20.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands of dollars

For the years ended December 31,

	1996	1995	1994
CASH FLOWS PROVIDED FROM (USED BY) OPERATING ACTIVITIES			
Net income	\$ 273,186	\$ 281,919	\$ 184,219
Adjustments to reconcile net income to net cash provided from operations:			
Depreciation and amortization	133,476	133,884	129,041
Deferred income taxes	22,863	26,380	(2,328)
Restructuring (credit) charge	—	(151)	106,105
Loss on disposal of businesses	35,352	—	—
Changes in assets and liabilities, net of effects from business acquisitions and divestitures:			
Accounts receivable — trade	5,159	1,666	(36,696)
Inventories	(41,038)	28,147	7,740
Accounts payable	14,032	14,767	(10,230)
Other assets and liabilities	15,120	(11,297)	(58,146)
Other, net	5,593	19,614	20,032
Net Cash Provided from Operating Activities	463,743	494,929	339,737
CASH FLOWS PROVIDED FROM (USED BY) INVESTING ACTIVITIES			
Capital additions	(159,433)	(140,626)	(138,711)
Business acquisitions	(437,195)	(12,500)	—
Proceeds from divestitures	149,222	—	—
Other, net	9,333	8,720	(4,492)
Net Cash (Used by) Investing Activities	(438,073)	(144,406)	(143,203)
CASH FLOWS PROVIDED FROM (USED BY) FINANCING ACTIVITIES			
Net change in short-term borrowings partially classified as long-term debt	210,929	103,530	(20,503)
Long-term borrowings	—	202,448	102
Repayment of long-term debt	(3,103)	(7,887)	(14,413)
Cash dividends paid	(114,763)	(110,090)	(106,961)
Exercise of stock options	22,049	15,106	3,494
Incentive plan transactions	(45,634)	(21,903)	(7,726)
Repurchase of Common Stock	(66,072)	(526,119)	(39,748)
Net Cash Provided from (Used by) Financing Activities	3,406	(344,915)	(185,755)
Increase in Cash and Cash Equivalents	29,076	5,608	10,779
Cash and Cash Equivalents as of January 1	32,346	26,738	15,959
Cash and Cash Equivalents as of December 31	\$ 61,422	\$ 32,346	\$ 26,738
Interest Paid	\$ 52,143	\$ 43,731	\$ 36,803
Income Taxes Paid	180,347	148,629	177,876

The Consolidated Financial Statements and Management's Discussion and Analysis are included as an appendix to the corporation's Proxy Statement or can be obtained separately through the Investor Relations contact listed on page 20.

INVESTOR INFORMATION

STOCKHOLDERS

As of December 31, 1996, Hershey Foods Corporation had outstanding 122,462,648 shares of Common Stock and 30,478,908 shares of Class B Common Stock.

Year	Year-end Common Stock and Class B Common Stockholders	Approximate Annual Composite Trading Volume
1996	42,483	47,002,000
1995	38,480	30,498,000
1994	34,327	31,330,000
1993	32,859	29,338,000
1992	31,642	24,146,000

STOCK MARKET DATA

Hershey Foods Corporation's Common Stock is listed and traded principally on the New York Stock Exchange under the ticker symbol "HSY." Class B Common Stock is not listed for trading. The stock tables of most financial publications list the corporation as "Hershey." Options on the corporation's Common Stock are traded on the American Stock Exchange.

COMMON STOCK PROFILE*

	Common Stock Price			Dividends Paid Per Share	
	High	Low	Close	Common	Class B
1996					
Calendar quarter					
1st Quarter	\$40⁵/₈	\$31¹⁵/₁₆	\$37¹/₄	\$.18	\$.1625
2nd Quarter	38¹⁵/₁₆	34⁷/₈	36¹¹/₁₆	.18	.1625
3rd Quarter	51³/₄	35	50¹/₄	.20	.18
4th Quarter	51³/₄	43¹/₂	43³/₄	.20	.18

*All shares and per share information have been restated for the two-for-one stock split effective September 13, 1996.

DIVIDEND POLICY

Dividends on Hershey Foods Corporation's Common Stock and Class B Common Stock are declared by the Board of Directors and normally are paid in the months of March, June, September and December.

The dividend to be paid on the Common Stock in March 1997 will be the 269th consecutive regular dividend paid by the corporation. The dividend rate has been increased annually for 22 consecutive years. Historically, the corporation has targeted approximately one-third of income from continuing operations as dividends to stockholders.

DIVIDEND REINVESTMENT SERVICE

The corporation offers an Automatic Dividend Reinvestment Service to registered holders of Hershey Foods

Common Stock. This service provides a convenient method of increasing share ownership without paying brokerage commissions or service fees. The corporation pays all commissions and fees associated with stock purchases made with reinvested dividends. However, under Internal Revenue Service regulations, any fees paid on behalf of stockholders are considered taxable income and will be included on their Form 1099-DIV Statement of Dividends and Distributions. Participants also may make voluntary cash payments of up to \$20,000 annually, for which there are only nominal brokerage commissions and service fees. Approximately one-half of Hershey Foods Corporation's registered stockholders are enrolled in this Automatic Dividend Reinvestment Service. For more information, contact:

ChaseMellon Shareholder Services
P.O. Box 750
Pittsburgh, PA 15230
Telephone: (800) 851-4216
<http://www.cmsonline.com>

SAFEKEEPING OF STOCK CERTIFICATES

Your stock certificate is a valuable document and should be kept in a safe place such as a safe deposit box. Stock certificates should not be signed until sold or transferred to another person. For tax purposes, please keep a record of each certificate, including the original cost. This record should be kept in a place separate from the certificates.

STOCKHOLDER INQUIRIES

Questions relating to stockholder records, change of ownership, change of address and dividend payments should be sent to the corporation's Transfer Agent, ChaseMellon Shareholder Services, listed on page 20.

FINANCIAL INFORMATION

Security analysts, investment managers and stockholders should direct financial information inquiries to the Investor Relations contact listed on page 20.

1996 SUMMARY ANNUAL REPORT

To control costs and to better meet our stockholders' needs, we have published a 1996 Summary Annual Report. The Consolidated Financial Statements and Management's Discussion and Analysis are included as an appendix to the corporation's Proxy Statement or can be obtained separately through the Investor Relations contact listed on page 20.

DIRECTORS AND SENIOR MANAGEMENT

As of March 3, 1997

BOARD OF DIRECTORS

Kenneth L. Wolfe
Chairman of the Board and
Chief Executive Officer

William H. Alexander
Managing Director
Snider Entrepreneurial Center
The Wharton School of the
University of Pennsylvania
Philadelphia, Pa.

Robert H. Campbell
Chairman of the Board and
Chief Executive Officer
Sun Company, Inc.
Philadelphia, Pa.

C. McCollister Evarts, M.D.
Chief Executive Officer
The Milton S. Hershey
Medical Center
Senior Vice President for
Health Affairs and
Dean, College of Medicine
The Pennsylvania
State University
Hershey, Pa.

Thomas C. Graham
Retired Chairman
of the Board and
Chief Executive Officer
AK Steel Corporation
Middletown, Ohio

Bonnie Guiton Hill
President and
Chief Executive Officer
Times Mirror Foundation and
Vice President
Times Mirror Company
Los Angeles, Calif.

John C. Jamison
Chairman
Mallardee Associates
Williamsburg, Va.

Mackey J. McDonald
President and
Chief Executive Officer
VF Corporation
Wyomissing, Pa.

John M. Pietruski
Chairman of the Board
Texas Biotechnology Corp.
Houston, Texas

Vincent A. Sarni
Retired Chairman
of the Board and
Chief Executive Officer
PPG Industries, Inc.
Pittsburgh, Pa.

Joseph P. Viviano
President and
Chief Operating Officer

Audit Committee
Bonnie Guiton Hill, Chair
William H. Alexander
John C. Jamison
Mackey J. McDonald

**Committee on Directors
and Corporate Governance**
Vincent A. Sarni, Chair
Robert H. Campbell
Thomas C. Graham
Bonnie Guiton Hill
Kenneth L. Wolfe

**Compensation and Executive
Organization Committee**
John M. Pietruski, Chair
Robert H. Campbell
C. McCollister Evarts
Thomas C. Graham
Vincent A. Sarni

Executive Committee
Kenneth L. Wolfe, Chair
Joseph P. Viviano

STOCKHOLDER INFORMATION

Executive Offices
100 Crystal A Drive
P. O. Box 810
Hershey, PA 17033-0810
(717) 534-6799

**Transfer Agent and
Registrar**
ChaseMellon
Shareholder Services
Overpeck Centre
85 Challenger Road
Ridgefield Park, NJ 07660
(800) 851-4216
<http://www.cmssonline.com>

**Independent Public
Accountants**
Arthur Andersen LLP
1345 Avenue of the
Americas
New York, NY 10105

Investor Relations Contact
James A. Edris, Director
Investor Relations
100 Crystal A Drive
P.O. Box 810
Hershey, PA 17033-0810
(717) 534-7556

Form 10-K
Form 10-K, filed annually
in March with the
Securities and Exchange
Commission, is available
without charge by
contacting Investor
Relations at the address
and telephone number
listed above.

Financial Information
(717) 534-7552
Email: pr@hersheys.com
Internet: <http://www.hersheys.com>

CORPORATE OFFICERS

Kenneth L. Wolfe

Chairman of the Board
and Chief Executive Officer

Joseph P. Viviano

President and
Chief Operating Officer

William F. Christ

Senior Vice President
and Chief Financial Officer

Raymond Brace

Vice President
Operations

Charles L. Duncan, Ph.D.

Vice President
Research and Development

Thomas C. Fitzgerald

Vice President and Treasurer

Sharon A. Lambly

Vice President
Human Resources

Robert M. Reese

Vice President
General Counsel and
Secretary

David W. Tacka

Corporate Controller and
Chief Accounting Officer

Barry L. Zoumas, Ph.D.

Vice President
Science and Technology

DIVISION EXECUTIVES

Jay F. Carr

President
Hershey Pasta and Grocery Group

Michael F. Pasquale

President
Hershey Chocolate
North America

C. Mickey Skinner

Vice Chair
Hershey Pasta and Grocery Group



Management Committee, from left to right:
Front Row: Kenneth L. Wolfe, Joseph P. Viviano
Middle Row: Michael F. Pasquale, C. Mickey Skinner, William F. Christ
Back Row: Robert M. Reese, Jay F. Carr, Raymond Brace

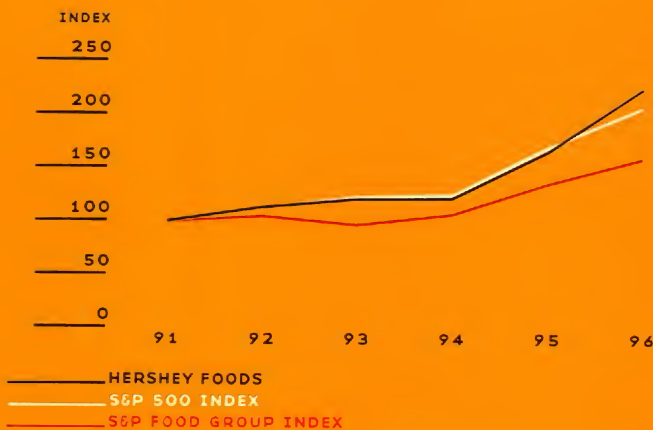
Annual Meeting

The Annual Meeting of
Stockholders will be held
at 2:00 p.m. on Tuesday,
April 29, 1997, at the
Hershey Theatre, located
one-half block east of
Cocoa Avenue on
East Caracas Avenue,
Hershey, Pa.

A formal notice of this
meeting, together
with the corporation's
Proxy Statement,
will be mailed to
stockholders on or about
March 17, 1997.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN*

HERSHEY FOODS CORPORATION,
S&P 500 INDEX AND S&P FOOD GROUP INDEX



* TOTAL RETURN ASSUMES REINVESTMENT OF DIVIDENDS.
ASSUMES \$100 INVESTED ON 12/31/91 IN
HERSHEY FOODS COMMON STOCK, S&P 500 INDEX AND
S&P FOOD GROUP INDEX.



Hershey Foods Corporation

Hershey, Pennsylvania 17033

U.S.A.